



Remarks For

**The Hon. Steven C. Preston
Administrator
U.S. Small Business Administration**

Delivered At The

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10th ANNUAL SMALL BUSINESS CONFERENCE**

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Thank you, General Strock, for that nice introduction and welcome. And thank you all for having me today. I am honored to be here with you, because of what you all do for America and for Small Business.

I want you to know how grateful I am for what the U.S. Army and the U.S. Army Corps of Engineers have done to support America's small businesses. The Army Corps of Engineers — in peacetime, during times of war, and in the aftermath of natural disasters — has looked to small business to help supply the goods and services it needs to do its job, and do it well. And America has benefited from it.

The Corps of Engineers awarded over \$11 billion in contracts in FY05 of which 47 percent — or \$5.2 billion — went to small business. Sixty-three percent of total U.S. contract actions went to small business — 34,000 of them. We are expecting that FY06 results will show similar trends. I know that these results don't come easy, and they are due to your commitment and tenacity.

With the work you do with Base Realignment and Closure (BRAC) activities, Military Construction Transformation, as well as rebuilding the areas hit by Hurricanes Katrina, Rita and Wilma, particularly the levees, we know there will be abundant contracting opportunities for small businesses to assist the Corps as Primes as well as Subcontractors in the months and years ahead.

For example, for all of the BRAC and GPI military construction in the northwest area of the country, SBA and the Corps worked together recently to set aside for small businesses 43 percent of the \$2.7 billion prime contract value as well as 20 to 40 percent of the subcontract dollars — that could bring the total for small business participation to \$1.7 billion.

So, it's a particular pleasure to be with you today because you understand the value of small businesses to the health and well-being of our nation and to the successful fulfillment of your mission and our mission.

For more than 50 years, the SBA has helped small businesses get started, stay in business and grow. In fiscal 2006, SBA supported more than \$21 billion in loans and investments to small businesses and trained and counseled over a million such enterprises. SBA also approved almost \$11 billion in disaster loans to victims of the gulf hurricanes.

And in the area we are here to celebrate, in fiscal year 2005, the federal agencies reported procuring \$80 billion in prime contracts for goods and services from small businesses, over 25 percent of their total, and over \$50 billion dollars in subcontracting.

We need to ensure that America's small businesses have a level playing field in the granting of contracts and in the performance of their contractual obligations; and we need to ensure that they are serving under effective and not excessive regulations.

Small businesses are critical to our economy and the entrepreneurial spirit is core to who we are as a nation.

Two weeks ago, the government released figures showing, the lowest unemployment rate since May 2001 — 4.4 percent. Since August 2003, almost 7 million jobs have been created — more jobs than all the other major industrialized countries combined. Our economy has now added jobs for 38 straight months.

We've seen record growth of our economy — economic growth that has equaled the size of the entire Chinese economy since 2003 — and a big part of that success story is the Small Business Administration.

And this story is echoed throughout our country — 49 of 50 states have experienced job growth over the last year. Where did they all come from? From small businesses... that's where. Seventy percent of the jobs created in this country are from small business formation and growth.

- Small businesses represent over 99 percent of all employer firms
- They employ half of all private sector employees
- They create more than 50 percent of non-farm private gross domestic product

Both the Corps and SBA understand the importance of putting small businesses on an equal footing in the contracting process, because doing so

is beneficial to our country. And having more small businesses able to compete in the federal market place provides the government and the taxpayers all the benefits of competition.

Several months after the President's first inauguration — in the summer of 2001 — he announced an aggressive strategy to improve the management and performance of the federal government, and help it adapt to a rapidly changing world — by making it more citizen-centered, results-oriented and market-based.

This initiative is called the President's Management Agenda, or PMA.

Part of our roadmap at the SBA to support the PMA includes both operating this agency more efficiently and effectively as well as clarifying our mission to serve America's small businesses and disaster victims. And in clarifying that mission, we need to ensure that our products, our processes, and our partners are aligned in advancing that mission.

Over the last three months, I have spent a lot of time listening to our employees, our legislators, trade associations, our partners, and most importantly, directly to our customers.

And I have come to the simple conclusion that some of the most important progress we can make is in applying good solid business principles to the work we do — much as you deal with every day.

In fact, there are four basic questions I ask myself and our people every day as we look to how we can best serve. I call them our Four Pillars.

First, are we driving the right outcomes? What results are we driving for and are those results we should be most focused on?

Second, are we customer-focused in what we are doing? We need to be easy for people to do business with. We may have the greatest programs in the world, but if they are too difficult to work with, it will smother our effectiveness... and diminish our impact.

We need to work to make it easier for small businesses to do business with the federal government as well as to make it easier for contracting officials to do business with small businesses.

In the contracting world, I think there is a lot we can do in terms of process simplification, automation, and clarifying our laws and regulations.

Third, are we enabling our employees to extend the hand of service to our customers? If we are not providing tools, training and a positive work environment that encourages excellence, we will not be effective.

Finally, are we running a tight ship? Are we accountable, efficient and transparent?

When I was sworn in by the Vice President, I remember someone asking me if there was much press coverage. I said yes, there was a film clip of the ceremony to lead off a story charging that large businesses were getting small business contracts in 2005.

It was a great reminder to me that we need to be transparent in how we are performing and be accountable not only for our results, but for the integrity of the information we provide the public.

Four basic guideposts:

- Outcomes-Driven
- Customer-Focused
- Employee-Enabled, and
- Accountable, Efficient and Transparent

Today, I am announcing a series of actions, guided by these principles, to improve the environment for small businesses in the federal contracting arena, as well as the transparency and accuracy of the contracting data reported.

We are revising the small business recertification rules. Previously, the size of a business was determined at the time that a firm submitted its proposal for a contract and that classification was good for the life of the contract.

Under a revised regulation, officially being published tomorrow, small businesses will be required to recertify their size status at the end of the first five years of a long-term contract, when a subsequent contract option is exercised, and when a small business is purchased or merged with another business, to ensure that small business contract awards are accurately reported.

The change balances two objectives. First, it will ensure that businesses coded as small... truly are small. But second, it will do so in a way that does not penalize an agency or a successful small business if it grows beyond the size thresholds within a reasonable time; and the five-year time frame, we believe, achieves that objective.

This regulation will go a long way toward ensuring that contract awards get in the hands of small business owners... that federal agencies get the proper credit towards meeting their small business contracting goals... and that small business contract awards are accurately reported.

It also allows federal contracting officers to choose to do business with small firms that are successful and growing, without having their small business goals negatively affected shortly after awarding a contract. We need to make sure we have the right incentives in place. When that happens, this solution is a win-win for everyone.

In addition, the SBA, in cooperation with the OMB Office of Federal Procurement Policy, is using — for the first time — the Small Business Procurement Scorecard which is designed to collect and report the extent of small business participation in federal contracting individually for 24 federal agencies.

It will allow each agency to tell the full story of its small business achievement — not only by tracking and monitoring the status of each agency's small business goal achievement — but by measuring the progress it is making toward that achievement.

The Scorecard is modeled after the one used to track the President's Management Agenda and will complement the goals and objectives of the President's Management Agenda by:

- meeting governmentwide standards of success in financial management
- demonstrating high standards of integrity
- maintaining a high-performance culture, and
- ensuring accountability for the American people's money.

And SBA is continuing to work with agencies utilizing the Integrated Acquisition Environment (IAE) to identify the reasons that many “other than small vendors” were characterized as small in the FY05 information contained in the Federal Procurement Data System-Next Generation

(FPDS-NG). We are working to make systemic changes to reduce the possibility that vendors that are “other than small” are miscoded as “small”.

In late September, Administrator Paul A. Dennett of the Office of Federal Procurement Policy, and I, issued a memorandum requiring that agencies review their 2005 procurement data and identify any necessary changes to help resolve apparent discrepancies in the database that are inaccurate. The recertification requirement, coupled with making any changes identified by the review, will improve the accuracy of federal small business contract reporting and provide increased clarity in measuring agencies’ effectiveness in meeting small business contracting goals.

Finally, I have directed the hiring of four additional procurement center representatives (PCRs) and am continuing the work with the Integrated Acquisition Environment to perfect an Electronic PCR (EPCR). An EPCR system would automatically forward any contract not set aside for small business to a PCR.

PCRs have front-line contracting assistance responsibilities, are stationed at major federal acquisition activities, and review federal requirements to ensure that small businesses have access to such opportunities under the legislated small business procurement preference programs including:

- small business set-asides
- HUBZones

- service-disabled veteran-owned small businesses
- women-owned small businesses, and
- small disadvantaged businesses.

PCRs also review acquisition plans to minimize contract bundling and recommend acquisition strategies to increase opportunities for small businesses. I believe that PCRs are critical to our achieving small business procurement goals, and I am looking forward to this boost in our team to help us with that goal.

We are committed to creating an environment where small businesses will flourish, and enter the federal marketplace as equal competitors, and we are taking actions to advance that objective.

This environment is created when agencies reduce contract bundling, consider a small business as part of their overall procurement strategy, and ensure all agency reporting is accurate and reliable.

The remarkable engine of entrepreneurship is essential to the well-being of our country. That engine thrives because a culture of innovation and ownership is deeply ingrained in our spirit, and our way of life. And when it thrives, it drives competition — which we focus on in these programs. But it also drives innovation, the economy and job creation. I also believe — to the extent we are focusing our efforts right — we can work to help unleash that engine for change in our underserved

communities through programs like HUBzone and 8(a).

The men and women of the SBA have the honor, the privilege, and the responsibility of working with you and being involved in very special ways to help enable that engine to reach its potential.

We have a tremendous opportunity at the SBA to make an even greater contribution to America's entrepreneurs, its disaster victims, and ultimately, America's communities.

I would like to thank you for having me. Thank you for your partnership and your service to America's small businesses. And thank you, in advance, for the good work we will undertake together in the future.

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